

ICON PLC
Form 6-K
May 04, 2016

FORM 6-K
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Report of Foreign Private Issuer
Pursuant to Rule 13a-16 under
the Securities Exchange Act of 1934

For
the month ended May, 2016

ICON plc
(Registrant's name)

333-08704
(Commission file number)

South County Business Park, Leopardstown, Dublin 18, Ireland
(Address of principal executive offices)

Brendan Brennan, CFO
South County Business Park, Leopardstown, Dublin 18, Ireland.
Brendan.Brennan@iconplc.com
011-353-1-291-2000
(Name, telephone number, email and/or facsimile number and address of Company contact person)

Indicate by check mark
whether the registrant
files or will file annual
reports under cover Form
20-F or Form 40-F.
Yes No

Indicate by check mark
whether the registrant is
submitting the Form 6-K
in paper as permitted by
Regulation S-T Rule
101(b)(1):
Yes No

Indicate by check mark whether the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule

101(b)(7):

Yes _____ No ___X___

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes _____ No ___X___

If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b):82
N/A

1

ICON plc

Rider A

This report on Form 6-K is hereby incorporated by reference in the registration statement on Form F-3 (Registration No. 333-133371) of ICON plc and in the prospectus contained therein, and this report on Form 6-K shall be deemed a part of such registration statement from the date on which this report is filed, to the extent not superseded by documents or reports subsequently filed or furnished by ICON plc under the Securities Act of 1933 or the Securities Exchange Act of 1934.

2

GENERAL

As used herein, “ICON”, the “Company” and “we” refer to ICON plc and its consolidated subsidiaries, unless the context requires otherwise.

Business

ICON public limited company (“ICON”) is a contract research organization (“CRO”), providing outsourced development services on a global basis to the pharmaceutical, biotechnology and medical device industries. We specialize in the strategic development, management and analysis of programs that support all stages of the clinical development process - from compound selection to Phase I-IV clinical studies. Our vision is to be the Global CRO partner of choice for the Biopharma industry by delivering best in class information, solutions and performance in clinical and outcomes research.

We believe that we are one of a select group of CROs with the expertise and capability to conduct clinical trials in most major therapeutic areas on a global basis and have the operational flexibility to provide development services on a stand-alone basis or as part of an integrated “full service” solution. At March 31, 2016 we had approximately 12,235 employees, in 89 locations in 37 countries. During the three months ended March 31, 2016 we derived approximately 45.9%, 44.1% and 10.0% of our net revenue in the United States, Europe and Rest of World, respectively.

We began operations in 1990 and have expanded our business predominately through organic growth, together with a number of strategic acquisitions to enhance our capabilities and expertise in certain areas of the clinical development process. We are incorporated in Ireland and our principal executive office is located at: South County Business Park, Leopardstown, Dublin 18, Republic of Ireland. The contact telephone number of this office is 353 (1) 291 2000.

Recent Developments

Acquisitions

On December 4, 2015, Inclinux-PMG Holdings, Inc (‘PMG’) was acquired by ICON Clinical Research LLC a subsidiary of the Company, resulting in initial net cash outflows of \$63.5 million (including certain payments made on behalf of PMG totaling \$9.9 million). PMG is an integrated network of clinical research sites operating from 14 metropolitan areas throughout the US. PMG conducts clinical trials in all major therapeutic areas with particular experience in cardiology, dermatology, endocrinology, gastroenterology, men's health, neurology, pulmonology, rheumatology, vaccine, and women's health trials. In addition to a proprietary research database of clinical trial participants, PMG also has access to over 2 million active patient lives via electronic health records through their unique partnerships with healthcare systems and community physician practices. The acquisition agreement provides for working capital targets to be achieved by PMG within 90 days of acquisition. In March 2016, the Company agreed to pay an additional \$1.6 million on completion of this working capital review (see note 3 Business Combinations for further information).

Share repurchase program

The Company completed a share buyback program in December 2015. During the year ended December 31, 2015, the Company redeemed a total of 6,198,481 ordinary shares for a total consideration of \$457.9 million.

Financing

On December 15, 2015, ICON Investments Five Unlimited Company issued Senior Notes for aggregate gross proceeds of \$350.0 million in a private placement. The Senior Notes will mature on December 15, 2020. Interest

payable is fixed at 3.64%, and is payable semi-annually on the Senior Notes on each June 15 and December 15, commencing June 15, 2016. The Senior Notes are guaranteed by ICON plc. In October 2015, the Company entered into an interest rate hedge in respect of the planned issuance of the Senior Notes in December 2015. The interest rate hedge matured in November 2015 when the interest rate on the Senior Notes was fixed. The interest rate hedge was effective in accordance with Financial Accounting Standards Board (“FASB”) ASC 815 Derivatives and Hedging. The cash proceeds, representing the realized gain on the interest rate hedge were received on maturity in November 2015.

Changes in Board composition

In March 2016, the Company announced that Mr. Thomas Lynch, non-executive Chairman of the Board of Directors, had notified ICON that he will retire as Chairman on 31 March 2016 and will not stand for re-election to the Board at the Company's annual general meeting in July 2016. Mr. Lynch has been a non-executive Director of ICON since 1994 and served as senior independent Director from 2010 to 2012 and as Chairman since January 2013. ICON's senior independent Director, Mr. Declan McKeon, will serve as acting Chairman from Mr. Lynch's retirement as Chairman and the Board has initiated a process to appoint a new Chairman.

New accounting pronouncements

Accounting Standards Update ('ASU') 2015-03 'Interest – Imputation of Interest (Subtopic 835-30) – Simplifying the Presentation of Debt Issuance Costs' was issued in April 2015 to simplify the presentation of debt issuance costs. The guidance requires debt issuance costs related to term loans to be presented as a direct deduction from the carrying amount of the associated debt liability. The standard is effective for financial statements issued for fiscal years beginning after December 15, 2015 and interim periods within those fiscal years. The new guidance is reflected in the Condensed Consolidated Financial Statements (unaudited) presented. The new guidance is also required to be applied on a retrospective basis. The Condensed Consolidated Balance Sheet at December 31, 2015 has therefore been restated to reflect the accounting standards update.

ICON plc
 CONDENSED CONSOLIDATED BALANCE SHEETS
 AS AT MARCH 31, 2016 AND DECEMBER 31, 2015

	(Unaudited) March 31, 2016	(Audited) December 31, 2015*
	(in thousands)	
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 161,337	\$ 103,911
Short term investments - available for sale	86,520	85,990
Accounts receivable, net	362,322	409,165
Unbilled revenue	238,645	173,649
Other receivables	34,566	30,935
Prepayments and other current assets	34,653	36,128
Income taxes receivable	20,436	22,961
Total current assets	938,479	862,739
Other Assets:		
Property, plant and equipment, net	149,886	150,218
Goodwill	593,885	588,434
Non-current other assets	13,081	11,591
Non-current income taxes receivable	12,439	11,362
Non-current deferred tax asset	26,755	26,738
Intangible assets	61,610	66,127
Total Assets	\$ 1,796,135	\$ 1,717,209
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	\$ 5,647	\$ 7,021
Payments on account	318,061	318,697
Other liabilities	224,221	231,879
Income taxes payable	17,775	14,203
Total current liabilities	565,704	571,800
Other Liabilities:		
Non-current bank credit lines and loan facilities	348,278	348,306
Non-current other liabilities	13,715	12,224
Non-current government grants	978	959
Non-current income taxes payable	19,743	16,180
Non-current deferred tax liability	4,032	4,644
Shareholders' Equity:		
Ordinary shares, par value 6 euro cents per share; 100,000,000 shares authorized, 55,065,080 shares issued and outstanding at March 31, 2016 and 54,958,912 shares issued and outstanding at December 31, 2015	4,682	4,679
Additional paid in capital	398,361	383,395
Capital redemption reserve	715	715
Accumulated other comprehensive income	(58,980)	(61,636)
Retained earnings	498,907	435,943
Total Shareholders' Equity	843,685	763,096
Total Liabilities and Shareholders' Equity	\$ 1,796,135	\$ 1,717,209

*The December 31, 2015 Balance Sheet has been retrospectively restated as required to reflect the requirements of new guidance in respect of the presentation of debt issue costs.

The accompanying notes are an integral part of these condensed consolidated financial statements.

ICON plc
 CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
 FOR THE THREE MONTHS ENDED MARCH 31, 2016 AND MARCH 31, 2015
 (UNAUDITED)

	<u>Three Months Ended</u>	
	<u>March 31,</u>	<u>March 31,</u>
	<u>2016</u>	<u>2015</u>
	(in thousands)	
Revenue:		
Gross revenue	\$542,583	\$503,366
Reimbursable expenses	(142,061)	(115,135)
Net revenue	400,522	388,231
Costs and expenses:		
Direct costs	228,603	228,078
Selling, general and administrative expense	80,789	79,555
Depreciation and amortization	15,120	13,925
Total costs and expenses	324,512	321,558
Income from operations	76,010	66,673
Interest income	334	276
Interest expense	(3,215)	(279)
Income before provision for income taxes	73,129	66,670
Provision for income taxes	(10,165)	(10,801)
Net income	\$62,964	\$55,869
Net income per Ordinary Share:		
Basic	\$1.14	\$0.93
Diluted	\$1.12	\$0.90
Weighted average number of Ordinary Shares outstanding:		
Basic	55,011,019	60,281,059
Diluted	56,242,164	61,856,347

The accompanying notes are an integral part of these condensed consolidated financial statements.

ICON plc
 CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
 FOR THE THREE MONTHS ENDED MARCH 31, 2016 AND MARCH 31, 2015
 (UNAUDITED)

	Three Months Ended March	
	31, 2016	March 31, 2015
	(in thousands)	
Cash flows from operating activities:		
Net income	\$62,964	\$55,869
Adjustments to reconcile net income to net cash provided by operating activities:		
Loss on disposal of property, plant and equipment	7	4
Depreciation expense	10,161	9,907
Amortization of intangibles	4,959	4,018
Amortization of grants	(11)	(11)
Accrued interest on short term investments	(210)	-
Share compensation expense	9,591	6,043
Amortization of gain on interest rate hedge	(210)	-
Amortization of financing costs	130	-
Deferred taxes	(626)	(173)
Changes in assets and liabilities:		
Decrease in accounts receivable	47,407	16,381
Increase in unbilled revenue	(64,516)	(11,716)
Increase in other receivables	(3,730)	(2,699)
Decrease/(increase) in prepayments and other current assets	1,586	(2,522)
Increase in other non-current assets	(1,413)	(1,254)
Decrease in payments on account	(687)	(31,093)
(Decrease)/increase in other current liabilities	(10,494)	13,462
Increase in other non-current liabilities	1,520	1,757
(Decrease)/increase in accounts payable	(1,383)	406
Increase in income taxes payable	8,626	2,734
Change in deferred tax liability	(4,233)	-
Net cash provided by operating activities	59,438	61,113
Cash flows from investing activities:		
Purchase of property, plant and equipment	(7,658)	(10,688)
Purchase of subsidiary undertakings	-	(103,138)
Purchase of short term investments	(98)	(60)
Sale of short term investments	158	1,037
Net cash used in investing activities	(7,598)	(112,849)
Cash flows from financing activities:		
Proceeds from exercise of equity compensation	1,137	8,146
Share issuance costs	-	(4)
Tax benefit from the exercise of share options	4,241	1,923
Drawdown of bank credit lines and loan facilities	-	20,000
Financing costs	(118)	-
Net cash provided by financing activities	5,260	30,065

Edgar Filing: ICON PLC - Form 6-K

Effect of exchange rate movements on cash	326	(1,988)
Net increase/(decrease) in cash and cash equivalents	57,426	(23,659)
Cash and cash equivalents at beginning of period	103,911	118,900

Cash and cash equivalents at end of period \$ 161,337 \$ 95,241

The accompanying notes are an integral part of these condensed consolidated financial statements.

7

ICON plc

CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY AND COMPREHENSIVE
INCOME
(UNAUDITED)

	<u>Shares</u>	<u>Amount</u>	<u>Additional Paid-in Capital</u>	<u>Capital Redemption Reserve</u>	<u>Accumulated Other Comprehensive Income</u>	<u>Retained Earnings</u>	<u>Total</u>
(dollars in thousands, except share data)							
Balance at December 31, 2015	54,958,912	\$4,679	\$383,395	\$ 715	\$ (61,636)	\$435,943	\$763,096
Comprehensive Income:							
Net income	-	-	-	-	-	62,964	62,964
Currency translation adjustment	-	-	-	-	1,700	-	1,700
Currency impact of long term funding	-	-	-	-	1,095	-	1,095
Tax on currency impact of long term funding	-	-	-	-	(309)	-	(309)
Unrealized capital gain – investments	-	-	-	-	380	-	380
Amortization of interest rate hedge	-	-	-	-	(210)	-	(210)
Total comprehensive income	-	-	-	-	2,656	62,964	65,620
Exercise of share options	48,840	3	1,130	-	-	-	1,133
Issue of restricted share units	57,328	-	4	-	-	-	4
Share issuance costs	-	-	-	-	-	-	-
Non-cash stock compensation expense	-	-	9,591	-	-	-	9,591
Tax benefit on exercise of options	-	-	4,241	-	-	-	4,241
Balance at March 31, 2016	55,065,080	\$4,682	\$398,361	\$ 715	\$ (58,980)	\$498,907	\$843,685

The accompanying notes are an integral part of these condensed consolidated financial statements.

ICON plc

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)
March 31, 2016

1. Basis of Presentation

These condensed consolidated financial statements, which have been prepared in accordance with United States generally accepted accounting principles (“US GAAP”), have not been audited. The condensed consolidated financial statements reflect all adjustments, which are, in the opinion of management, necessary to present a fair statement of the operating results and financial position for the periods presented. The preparation of the condensed consolidated financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect reported amounts and disclosures in the condensed consolidated financial statements. Actual results could differ from those estimates.

The condensed consolidated financial statements should be read in conjunction with the accounting policies and notes to the consolidated financial statements included in ICON’s Form 20-F for the year ended December 31, 2015. Operating results for the three months ended March 31, 2016 are not necessarily indicative of the results that may be expected for the fiscal period ending December 31, 2016.

2. Goodwill

	<u>Three months ended March 31, 2016</u> (in thousands)	<u>Year ended December 31, 2015</u>
Opening balance	\$588,434	\$463,324
Current period acquisitions (Note 3)	-	133,123
Prior period acquisitions (Note 3)	5,773	4,418
Foreign exchange movement	(322)	(12,431)
Closing balance	\$593,885	\$588,434

3. Business Combinations

Acquisitions - PMG

On December 4, 2015 the Company acquired PMG, resulting in an initial net cash outflow of \$63.5 million, including certain payments made on behalf of PMG totaling \$9.9 million. PMG is an integrated network of 48 clinical research sites in North Carolina, South Carolina, Tennessee and Illinois. The site network includes wholly owned facilities and dedicated clinical research sites. PMG conducts clinical trials in all major therapeutic areas and has particular expertise in vaccine, gastroenterology, cardiovascular, neurology and endocrinology studies. It has a proprietary database of clinical trial participants. It also has access to in excess of 2 million active patients via electronic medical records through its partnerships with healthcare institutions and community physical practices. The acquisition agreement provides for working capital targets to be achieved by PMG within 90 days of acquisition. In March 2016, the Company agreed to pay an additional \$1.6 million on completion of this working capital review.

The acquisition of PMG has been accounted for as a business combination in accordance with FASB ASC 805 Business Combinations. The Company has made a provisional assessment of the fair value of assets acquired and liabilities assumed as at that date. The table following summarizes the Company's provisional estimates of the fair values of the assets acquired and liabilities assumed;

	December 4, 2015 (in thousands)
Cash	\$ 194
Property, plant and equipment	712
Goodwill*	46,812
Intangible assets**	10,582
Accounts receivable	12,747
Prepayments and other current assets	1,329
Accounts payable	(530)
Other liabilities	(2,459)
Non-current deferred tax liability	(4,233)
 Net assets acquired	 65,154
 Cash consideration	 53,681
Other liabilities assumed	9,860
Working capital adjustment	1,613
Total cash outflows	65,154

*Goodwill represents the acquisition of an established workforce with experience in clinical trial consulting and regulatory support for the development of drugs, medical devices and diagnostics, with a specific focus on strategy to increase efficiency and productivity in product development.

**The Company has made an initial estimate of separate intangible assets acquired, being customer lists and order backlog, of \$10.6 million. This assessment is under review and will be finalized within 12 months of the date of acquisition.

Acquisitions - MediMedia Pharma Solutions

On February 27, 2015 the Company acquired MediMedia Pharma Solutions for cash consideration of \$104.7 million (net of working capital adjustments of \$3.9 million). In addition to the cash consideration, certain payments were made on behalf of MediMedia Pharma Solutions on completion totaling \$11.3 million. Headquartered in Yardley, Pennsylvania, MediMedia Pharma Solutions includes MediMedia Managed Markets and Complete Healthcare Communications. MediMedia Managed Markets is a leading provider of strategic payer-validated market access solutions. Complete Healthcare Communications is one of the leading medical and scientific communication agencies working with medical affairs, commercial and brand development teams within life science companies. The acquisition agreement also provided for certain working capital targets to be achieved by MediMedia Pharma Solutions.

The acquisition of MediMedia Pharma Solutions has been accounted for as a business combination in accordance with FASB ASC 805 Business Combinations. The following table summarizes the Company's estimate of the fair values of the assets acquired and liabilities assumed:

	February 27, 2015 (in thousands)
Property, plant and equipment	\$ 1,049
Goodwill*	92,084
Customer lists	22,752
Order backlog	2,521
Accounts receivable	5,240
Unbilled Revenue	4,324
Prepayments and other current assets	621
Accounts payable	(749)
Payments on account	(4,186)
Deferred tax liability	(2,171)
Other liabilities	(5,483)
 Net assets acquired	 \$ 116,002
 Cash consideration	 \$ 108,717
Other liabilities assumed**	11,283
Gross cash outflows	120,000
Working capital adjustment	(3,998)
Net cash outflows	\$ 116,002

Goodwill represents the acquisition of an established workforce with experience in the provision of strategic payer-validated market access solutions while the acquisition of Complete Healthcare Communications comprises an established workforce with significant communication experience working with medical affairs, commercial and brand development teams within the life science industry.

** Payments made at acquisition date of \$11.3 million were in respect of certain one-time liabilities which have subsequently been discharged.

Acquisitions - Aptiv Solutions

On May 7, 2014 the Company acquired 100% of the common stock of Aptiv Solutions (“Aptiv”), a global biopharmaceutical and medical device development services company and leader in adaptive clinical trials for cash consideration of \$143.5 million, including certain payments to be made on behalf of the company on completion totaling \$22.4 million. The acquisition agreement provided for working capital targets to be achieved. On March 25, 2015, the Company received \$2.0 million in respect of these targets on completion of the working capital review. Aptiv offers full-service clinical trial consulting and regulatory support for drugs, medical devices and diagnostics with a specific focus on strategies to increase product development efficiency and productivity. It is a market leader in the integrated design and execution of adaptive clinical trials for exploratory and late phase development as well as being an industry leader in medical device and diagnostic development in key medical technology segments. The acquisition of Aptiv has been accounted for as a business combination in accordance with FASB ASC 805 Business Combinations. The following table summarizes the fair values of the assets acquired and the liabilities assumed:

	May 7, 2014 (in thousands)
Property, plant and equipment	\$ 6,924
Goodwill*	125,627
Customer relationships	21,400
Order backlog	7,900
Cash and cash equivalents	3,484
Accounts receivable	25,091
Unbilled revenue	21,154
Prepayments and other current assets	4,180
Non-current assets	2,911
Accounts payable	(9,565)
Other liabilities	(29,782)
Payments on account	(31,094)
Non-current other liabilities	(11,303)
Loan notes payable**	(17,790)
 Net assets acquired	 \$ 119,137
 Cash consideration	 \$ 143,500
Working capital adjustment	(1,964)
	141,536
Adjustments to cash consideration**	(22,399)
Net purchase consideration	\$ 119,137

*Goodwill represents the acquisition of an established workforce with experience in clinical trial consulting and regulatory support for the development of drugs, medical devices and diagnostics, with a specific focus on strategy to increase efficiency and productivity in product development. Goodwill related to the US portion of the business acquired is tax deductible.

**Adjustments to cash consideration represent certain one-time liabilities (including loan notes) identified at the acquisition date which have subsequently been paid.

4. Income Taxes

The provision for income taxes recognized during the three months ended March 31, 2016 is comprised of:

<u>Three Months</u>	
<u>Ended</u>	
<u>March</u>	<u>March</u>
<u>31,</u>	<u>31,</u>
<u>2016</u>	<u>2015</u>
(in thousands)	

Provision for income taxes	\$10,165	\$10,801
----------------------------	----------	----------

As at March 31, 2016 the Company maintains a \$32.0 million liability (December 31, 2015: \$31.4 million) for unrecognized tax benefit, which is comprised of \$28.6 million (December 31, 2015: \$28.1 million) related to items generating unrecognized tax benefits and \$3.4 million (December 31, 2015: \$3.3 million) for interest and related penalties for such items. The Company recognizes interest accrued on unrecognized tax benefits as an additional provision for income taxes.

The Company has analyzed filing positions in all of the significant federal, state and foreign jurisdictions where it is required to file income tax returns, as well as open tax years in these jurisdictions. The only periods subject to examination by the major tax jurisdictions where the Company does business are 2011 through 2015 tax years. The Company does not believe that the outcome of any examination will have a material impact on its financial statements.

5. Net income per ordinary share

Basic net income per ordinary share has been computed by dividing net income available to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period. Diluted net income per ordinary share is computed by adjusting the weighted average number of ordinary shares outstanding during the period for all potentially dilutive ordinary shares outstanding during the period and adjusting net income for any changes in income or loss that would result from the conversion of such potential ordinary shares. There is no difference in net income used for basic and diluted net income per ordinary share.

The reconciliation of the number of shares used in the computation of basic and diluted net income per ordinary share is as follows:

	<u>Three Months Ended</u>	
	<u>March 31,</u>	<u>March 31,</u>
	<u>2016</u>	<u>2015</u>
Weighted average number of ordinary shares outstanding for basic net income per ordinary share	55,011,019	60,281,059
Effect of dilutive share options outstanding	1,231,145	1,575,288
Weighted average number of ordinary shares for diluted net income per ordinary share	56,242,164	61,856,347

6. Share-based Awards

Share Options

On July 21, 2008 the Company adopted the Employee Share Option Plan 2008 (the “2008 Employee Plan”) pursuant to which the Compensation and Organization Committee of the Company’s Board of Directors may grant options to any employee, or any Director holding a salaried office or employment with the Company or a Subsidiary for the purchase of ordinary shares. On the same date, the Company also adopted the Consultants Share Option Plan 2008 (the “2008 Consultants Plan”), pursuant to which the Compensation and Organization Committee of the Company’s Board of Directors may grant options to any consultant, adviser or non-executive Director retained by the Company or any Subsidiary for the purchase of ordinary shares.

Each option granted under the 2008 Employee Plan or the 2008 Consultants Plan (together the “2008 Option Plans”) will be an employee stock option, or Non-qualifying Stock Options (‘NSO’), as described in Section 422 or 423 of the Internal Revenue Code. Each grant of an option under the 2008 Options Plans will be evidenced by a Stock Option Agreement between the optionee and the Company. The exercise price will be specified in each Stock Option Agreement, however option prices will not be less than 100% of the fair market value of an ordinary share on the date the option is granted.

An aggregate of 6.0 million ordinary shares have been reserved under the 2008 Employee Plan, as reduced by any shares issued or to be issued pursuant to options granted under the 2008 Consultants Plan, under which a limit of 400,000 shares applies. Further, the maximum number of ordinary shares with respect to which options may be granted under the 2008 Employee Option Plan, during any calendar year to any employee shall be 400,000 ordinary shares. There is no individual limit under the 2008 Consultants Plan. No options may be granted under the 2008 Option Plans after July 21, 2018.

On January 17, 2003 the Company adopted the Share Option Plan 2003 (the “2003 Share Option Plan”) pursuant to which the Compensation and Organization Committee of the Board could grant options to officers and other employees of the Company or its subsidiaries for the purchase of ordinary shares. An aggregate of 6.0 million ordinary shares were reserved under the 2003 Share Option Plan; and, in no event could the number of ordinary shares issued pursuant to options awarded under this plan exceed 10% of the outstanding shares, as defined in the 2003 Share Option Plan, at the time of the grant, unless the Board expressly determined otherwise. Further, the maximum number of ordinary shares with respect to which options could be granted under the 2003 Share Option Plan during any calendar year to any employee was 400,000 ordinary shares. The 2003 Share Option Plan expired on January 17, 2013. No new options may be granted under this plan.

Share option awards are granted with an exercise price equal to the market price of the Company’s shares at date of grant. Share options typically vest over a period of five years from date of grant and expire eight years from date of grant. The maximum contractual term of options outstanding at March 31, 2016 is eight years.

The following table summarizes option activity for the three months ended March 31, 2016:

	Options Outstanding Number of Shares	Weighted Average Exercise Price	Weighted Average Fair Value	Weighted Average Remaining Contractual Life
Outstanding at December 31, 2015	1,626,582	\$ 34.87	\$ 11.94	
Granted	161,791	\$ 71.95	\$ 20.78	
Exercised	(48,840)	\$ 23.19	\$ 9.27	
Forfeited	(6,835)	\$ 22.51	\$ 9.61	
Outstanding at March 31, 2016	1,732,698	\$ 38.71	\$ 12.85	4.86

Edgar Filing: ICON PLC - Form 6-K

Exercisable at March 31, 2016	795,005	\$ 27.80	\$ 10.23	3.55
-------------------------------	---------	----------	----------	------

14

The Company has granted options with fair values ranging from \$5.88 to \$20.78 per option or a weighted average fair value of \$10.45 per option. The Company issues ordinary shares for all options exercised. The total amount of fully vested share options which remained outstanding at March 31, 2016, was 795,005. Fully vested share options at March 31, 2016, have an average remaining contractual term of 3.55 years, an average exercise price of \$27.80 and a total intrinsic value of \$37.6 million. The total intrinsic value of options exercised during the three months ended March 31, 2016 was \$2.2 million (March 31, 2015: \$12.6 million).

The following table summarizes the movement in non-vested share options for the three months ended March 31, 2016:

	Options Outstanding Number of Shares	Weighted Average Exercise Price	Weighted Average Fair Value
Non vested outstanding at December 31, 2015	968,853	\$ 42.14	\$ 13.69
Granted	161,791	\$ 71.95	\$ 20.78
Vested	(187,409)	\$ 39.36	\$ 13.02
Forfeited	(5,542)	\$ 21.89	\$ 9.47
Non vested outstanding at March 31, 2016	937,693	\$ 47.96	\$ 15.07

Fair value of Stock Options Assumptions

The weighted average fair value of options granted during the three months ended March 31, 2016 and March 31, 2015 was calculated using the Black-Scholes option pricing model. The weighted average fair values and assumptions used were as follows:

	<u>Three Months</u> <u>Ended</u>	
	<u>March</u> <u>31,</u> <u>2016</u>	<u>March</u> <u>31,</u> <u>2015</u>
Weighted average fair value	\$20.78	\$19.78

Assumptions:

Expected volatility	30 %	30 %
Dividend yield	0 %	0 %
Risk-free interest rate	1.39 %	1.41 %
Expected life	5 years	5 years

Expected volatility is based on the historical volatility of our common stock over a period equal to the expected term of the options; the expected life represents the weighted average period of time that options granted are expected to be outstanding given consideration to vesting schedules and our historical experience of past vesting and termination patterns. The risk-free rate is based on the U.S. government zero-coupon bonds yield curve in effect at time of the grant for periods corresponding with the expected life of the option.

Restricted Share Units and Performance Share Units

On July 21, 2008 the Company adopted the 2008 Employees Restricted Share Unit Plan (the “2008 RSU Plan”) pursuant to which the Compensation and Organization Committee of the Company’s Board of Directors may select any employee, or any Director holding a salaried office or employment with the Company, or a Subsidiary to receive an award under the plan. An aggregate of 1.0 million ordinary shares have been reserved for issuance under the 2008 RSU Plan.

15

On April 23, 2013 the Company adopted the 2013 Employees Restricted Share Unit and Performance Share Unit Plan (the “2013 RSU Plan”) pursuant to which the Compensation and Organization Committee of the Company’s Board of Directors may select any employee, or any Director holding a salaried office or employment with the Company, or a Subsidiary to receive an award under the plan. On May 11, 2015 the 2013 RSU Plan was amended and restated in order to increase the number of shares that can be issued under the RSU Plan by 2.5 million shares. Accordingly, an aggregate of 4.1 million ordinary shares have been reserved for issuance under the 2013 RSU Plan. The shares are awarded at par value and vest over a service period. Awards under the 2013 RSU Plan may be settled in cash or shares at the option of the Company.

The Company has awarded RSUs and PSUs to certain key individuals of the Group. The following table summarizes RSU and PSU activity for the three months ended March 31, 2016:

	PSU Outstanding Number of Shares	PSU Weighted Average Fair Value	PSU Weighted Average Remaining Contractual Life	RSU Outstanding Number of Shares	RSU Weighted Average Fair Value	RSU Weighted Average Remaining Contractual Life
Outstanding at December 31, 2015	901,773	\$ 72.55	2.49	1,067,613	\$ 48.30	1.48
Granted	233,634	\$ 71.95		70,087	\$ 71.95	
Shares vested	-	-		(57,328)	\$ 25.30	
Forfeited	(436)	\$ 31.49		(32,947)	\$ 47.08	
Outstanding at March 31, 2016	1,134,971	\$ 53.16	1.37	1,047,425	\$ 51.18	1.41

The fair value of RSUs vested for the three months ended March 31, 2016 totaled \$1.5 million (full year 2015: \$7.0 million).

No PSUs vested during the three months ended March 31 2016 (the fair value of RSUs vested for the full year 2015 was \$0.3million).

The PSUs vest based on service and specified EPS targets over the period 2013 – 2016, 2014 – 2017 and 2015 - 2018. Since 2013, we granted 573,303 PSUs (net of forfeitures). Depending on the actual amount of EPS from 2013 to 2018, up to an additional 561,668 PSUs may also be granted.

Non-cash stock compensation expense

Non-cash stock compensation expense for the three months ended March 31, 2016 has been allocated as follows:

	<u>Three Months</u> <u>Ended</u> <u>March</u> <u>March</u> <u>31,</u> <u>31,</u> <u>2016</u> <u>2015</u> (in thousands)	
Direct costs	\$5,285	\$3,330
Selling, general and administrative	4,306	2,713
	\$9,591	\$6,043

Total non-cash stock compensation expense not yet recognized at March 31, 2016 amounted to \$76.5 million. The weighted average period over which this is expected to be recognized is 2.37 years . Total tax benefit recognized in additional paid in capital related to the non-cash compensation expense amounted to \$4.2 million for the three months ended March 31, 2016 (March 31, 2015: \$1.9 million).

7. Business Segment Information

The Company determines and presents operating segments based on the information that is internally provided to the Chief Executive Officer, Chief Financial Officer and Chief Operating Officer, who together are considered the Company's chief operating decision maker, in accordance with FASB ASC 280-10 Disclosures about Segments of an Enterprises and Related Information.

The Company is a contract research organization ("CRO"), providing outsourced development services on a global basis to the pharmaceutical, biotechnology and medical device industries. It specializes in the strategic development, management and analysis of programs that support all stages of the clinical development process - from compound selection to Phase I-IV clinical studies. The Company has the expertise and capability to conduct clinical trials in most major therapeutic areas on a global basis and has the operational flexibility to provide development services on a stand-alone basis or as part of an integrated "full service" solution. The Company has expanded predominately through internal growth, together with a number of strategic acquisitions to enhance its expertise and capabilities in certain areas of the clinical development process.

The Company is generally awarded projects based upon responses to requests for proposals received from companies in the pharmaceutical, biotechnology and medical device industries or work orders executed under our strategic partnership arrangements. Contracts with customers are generally entered into centrally, in most cases with ICON Clinical Research Limited ("ICON Ireland"), the Company's principal operating subsidiary in Ireland. Revenues, which consist primarily of fees earned under these contracts, are allocated to individual entities within the Group, based on where the work is performed in accordance with the Company's global transfer pricing model.

ICON Ireland acts as the group entrepreneur under the Company's global transfer pricing model given its role in the development and management of the group, its ownership of key intellectual property and customer relationships, its key role in the mitigation of risks faced by the group and its responsibility for maintaining the Company's global network. As such it enters into the majority of the Company's customer contracts.

ICON Ireland remunerates other operating entities in the ICON Group on the basis of a guaranteed cost plus mark up for the services they perform in each of their local territories. The cost plus mark up for each ICON entity is established to ensure that each of ICON Ireland and the ICON entities that are involved in the conduct of services for customers, earn an appropriate arms-length return having regard to the assets owned, risks borne, and functions performed by each entity from these intercompany transactions. The cost plus mark-up policy is reviewed annually to ensure that it is market appropriate.

The geographic split of revenue disclosed for each region outside Ireland is the cost plus revenue attributable to these entities. The residual revenues of the Group, once each ICON entity has been paid its respective intercompany service fee, generally fall to be retained by ICON Ireland. As such revenues and income from operations in Ireland are a function of this global transfer pricing model and comprise net revenues of the Group after deducting the cost plus revenues attributable to the activities performed outside Ireland.

The Company's areas of operation outside of Ireland include the United States, United Kingdom, France, Germany, Italy, Spain, The Netherlands, Sweden, Turkey, Poland, Czech Republic, Latvia, Russia, Ukraine, Hungary, Israel, Romania, Switzerland, Canada, Mexico, Brazil, Colombia, Argentina, Chile, Peru, India, China, South Korea, Japan, Thailand, Taiwan, Singapore, The Philippines, Australia, New Zealand, and South Africa.

Segment information as at March 31, 2016 and December 31, 2015 and for the three months ended March 31, 2016 and March 31, 2015 is as follows:

a) The distribution of net revenue by geographical area was as follows:

	<u>Three Months Ended</u>	
	<u>March</u>	<u>March</u>
	<u>31,</u>	<u>31,</u>
	<u>2016</u>	<u>2015</u>
	(in thousands)	
Ireland	\$100,835	\$114,090
Rest of Europe	75,642	84,088
U.S.	184,090	150,064
Rest of World	39,955	39,989
Total	\$400,522	\$388,231

* All sales shown for Ireland are export sales.

b) The distribution of income from operations by geographical area was as follows:

	<u>Three Months</u>	
	<u>Ended</u>	
	<u>March</u>	<u>March</u>
	<u>31,</u>	<u>31,</u>
	<u>2016</u>	<u>2015</u>
	(in thousands)	
Ireland	\$59,551	\$47,566
Rest of Europe	3,444	6,785
U.S.	10,784	9,854
Rest of World	2,231	2,468
Total	\$76,010	\$66,673

c) The distribution of property, plant and equipment, net, by geographical area was as follows:

	<u>March</u>	<u>December</u>
	<u>31,</u>	<u>31,</u>
	<u>2016</u>	<u>2015</u>
	(in thousands)	
Ireland	\$103,716	\$101,736
Rest of Europe	7,225	7,334
U.S.	32,564	34,520
Rest of World	6,381	6,628
Total	\$149,886	\$150,218

d) The distribution of depreciation and amortization by geographical area was as follows:

	<u>Three Months</u>	
	<u>Ended</u>	
	<u>March</u>	<u>March</u>
	<u>31,</u>	<u>31,</u>
	<u>2016</u>	<u>2015</u>
	(in thousands)	
Ireland	\$5,904	\$4,913
Rest of Europe	1,715	2,268
U.S.	6,649	5,718
Rest of World	852	1,026
Total	\$15,120	\$13,925

e) The distribution of total assets by geographical area was as follows:

	<u>March 31,</u>	<u>December</u>
	<u>2016</u>	<u>31,</u>
		<u>2015*</u>
	(in thousands)	
Ireland	\$734,612	\$663,060
Rest of Europe	356,787	343,733
U.S.	636,751	641,769
Rest of World	67,985	68,647
Total	\$1,796,135	\$1,717,209

*The December 31, 2015 Balance Sheet has been retrospectively restated as required to reflect the requirements of new guidance in respect of the presentation of debt issue costs.

ICON plc

Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis should be read in conjunction with the unaudited Condensed Consolidated Financial Statements and accompanying notes included elsewhere herein and the Consolidated Financial Statements and related notes thereto included in our Form 20-F for the year ended December 31, 2015. The Consolidated Financial Statements have been prepared in accordance with accounting principles generally accepted in the United States.

Overview

We are a contract research organization ("CRO"), providing outsourced development services on a global basis to the pharmaceutical, biotechnology and medical device industries. We specialize in the strategic development, management and analysis of programs that support all stages of the clinical development process - from compound selection to Phase I-IV clinical studies. Our vision is to be the Global CRO partner of choice in drug development by delivering best in class information, solutions and performance in clinical and outcomes research.

We believe that we are one of a select group of CRO's with the expertise and capability to conduct clinical trials in most major therapeutic areas on a global basis and have the operational flexibility to provide development services on a stand-alone basis or as part of an integrated "full service" solution. At March 31, 2016, we employed approximately 12,235 employees, in 89 locations in 37 countries. During the three months ended March 31, 2016 we derived approximately 45.9%, 44.1% and 10.0% of our net revenue in the United States, Europe and Rest of World, respectively.

Revenue consists primarily of fees earned under contracts with third-party clients. In most cases, a portion of the contract fee is paid at the time the study or trial is started, with the balance of the contract fee generally payable in installments over the study or trial duration, based on the achievement of certain performance targets or "milestones". Revenue from contracts is recognized on a proportional performance method based on the relationship between time incurred and the total estimated duration of the trial or on a fee-for-service basis according to the particular circumstances of the contract. As is customary in the CRO industry, we contract with third party investigators in connection with clinical trials. All investigator fees and certain other costs, where reimbursed by clients, are, in accordance with industry practice, deducted from gross revenue to arrive at net revenue. As these costs vary from contract to contract, we view net revenue as our primary measure of revenue growth.

As the nature of our business involves the management of projects having a typical duration of one to four years, the commencement or completion of projects in a fiscal year can have a material impact on revenues earned with the relevant clients in such years. In addition, as we typically work with some, but not all, divisions of a client, fluctuations in the number and status of available projects within such divisions can also have a material impact on revenues earned from such clients from year to year.

Termination or delay in the performance of an individual contract may occur for various reasons, including, but not limited to, unexpected or undesired results, production problems resulting in shortages of the drug, adverse patient reactions to the drug, the client's decision to de-emphasize a particular trial or inadequate patient enrolment or investigator recruitment. In the event of termination the Company is usually entitled to all sums owed for work performed through the notice of termination and certain costs associated with the termination of the study. In addition, contracts generally contain provisions for renegotiation in the event of changes in the scope, nature, duration, or volume of services of the contract.

Our backlog consists of potential net revenue yet to be earned from projects awarded by clients. At March 31, 2016 we had a backlog of approximately \$4.0 billion, compared with approximately \$3.9 billion at December 31, 2015. We believe that our backlog as of any date is not necessarily a meaningful predictor of future results, due to the potential for cancellation or delay of the projects underlying the backlog, and no assurances can be given on the extent to which we will be able to realize this backlog as net revenue.

Although we are domiciled in Ireland, we report our results in U.S. dollars. As a consequence the results of our non-U.S. based operations, when translated into U.S. dollars, could be materially affected by fluctuations in exchange rates between the U.S. dollar and the currencies of those operations.

In addition to translation exposures, we are also subject to transaction exposures because the currency in which contracts are priced can be different from the currencies in which costs relating to those contracts are incurred. Our operations in the United States are not materially exposed to such currency differences as the majority of our revenues and costs are in U.S. dollars. However, outside the United States the multinational nature of our activities means that contracts are usually priced in a single currency, most often U.S. dollars or euro, while costs arise in a number of currencies, depending, among other things, on which of our offices provide staff for the contract and the location of investigator sites. Although many such contracts benefit from some degree of natural hedging, due to the matching of contract revenues and costs in the same currency, where costs are incurred in currencies other than those in which contracts are priced, fluctuations in the relative value of those currencies could have a material effect on our results of operations. We regularly review our currency exposures and usually negotiate currency fluctuation clauses in our contracts which allow for price negotiation if changes in the relative value of those currencies exceed predetermined tolerances.

As we conduct operations on a global basis, our effective tax rate has depended and will depend on the geographic distribution of our revenue and earnings among locations with varying tax rates. Our results therefore may be affected by changes in the tax rates of the various jurisdictions. In particular, as the geographic mix of our results of operations among various tax jurisdictions changes, our effective tax rate may vary significantly from period to period.

Results of Operations

Three Months Ended March 31, 2016 compared with Three Months Ended March 31, 2015

The following table sets forth for the periods indicated certain financial data as a percentage of net revenue and the percentage change in these items compared to the prior comparable period. The trends illustrated in the following table may not be indicative of future results.

	<u>Three Months</u>				
	<u>Ended</u>				
	<u>March</u>	<u>March</u>			
	<u>31,</u>	<u>31,</u>	<u>2016</u>		
	<u>2016</u>	<u>2015</u>	<u>to 2015</u>		
			<u>Percentage</u>		
	<u>Percentage of</u>		<u>Increase</u>		
	<u>Net Revenue</u>				
Net revenue	100.0%	100.0%	3.2		%
<u>Costs and expenses:</u>					
Direct costs	57.1 %	58.7 %	0.2		%
Selling, general and administrative	20.2 %	20.5 %	1.6		%
Depreciation	2.5 %	2.6 %	2.6		%
Amortization	1.2 %	1.0 %	23.4		%
Income from operations	19.0 %	17.2 %	14.0		%

Net revenue for the period increased by \$12.3 million, or 3.2%, from \$388.2 million for the three months ended March 31, 2015 to \$400.5 million for the three months ended March 31, 2016. Net revenue increased by 4.9% in constant currency, and by 1.2% in constant dollar organic. The primary reason for the increase in revenues in the three months ended March 31, 2016 were the additional net revenues from the acquisition of MediMedia Pharma Solutions and PMG which were acquired on February 27, 2015 and December 4, 2015 respectively. During the three

months ended March 31, 2016 we derived approximately 45.9%, 44.1% and 10.0% of our net revenue in the United States, Europe and Rest of World, respectively. During the three months ended March 31, 2016 \$179.2 million or 44.7% of our net revenues were derived from our top five customers compared to \$202.6 million or 52.2% of net revenues derived from our top five customers during the three months ended March 31, 2015. The largest of these customers related to a Strategic Partnership with a large global pharmaceutical company. Net revenue from this customer contributed 29.2% of net revenue for the quarter, compared to 34% of net revenue in respect of the three months ended March 31, 2015. The addition of new customer accounts, particularly mid-tier pharma customers and biotech customers continues to result in a reduction in concentration of revenues from our top five customers.

Net revenue in Ireland decreased from \$114.1 million for the three months ended March 31, 2015 to \$100.8 million for the three months ended March 31, 2016. Net revenue in Ireland is principally a function of the Company's global transfer pricing model (see note 7 Business Segmental Information for further details). Net revenue in our Rest of Europe region decreased from \$84.1 million for the three months ended March 31, 2015 to \$75.6 million for the three months ended March 31, 2016. Net revenues in non-U.S. dollar operations in this region were impacted by foreign currency translation and the movement in local rates to the U.S. dollar over the comparative quarter. In addition, the previous closure of the Company's early phase operations in the United Kingdom contributed to a reduction in net revenues in this region for the three months ended March 31, 2015. Net revenue in the U.S. region increased from \$150.1 million for the three months ended March 31, 2015 to \$184.1 million for the three months ended March 31, 2016. Net revenues in the U.S. region for the three months ended March 31, 2016 were impacted positively by the acquisitions of MediMedia, which was acquired on February 27, 2015 and PMG, which was acquired on December 4, 2015. Net revenues in our Rest of World region of \$40.0 million remained in line with the net revenues for the three months ended March 31, 2015.

Direct costs for the period increased by \$0.5 million, or 0.2%, from \$228.1 million for the three months ended March 31, 2015 to \$228.6 million for the three months ended March 31, 2016. Direct costs consist primarily of compensation, associated fringe benefits and share based compensation expense for project-related employees and other direct project driven costs. The increase in direct costs during the period arose from an increase in headcount and a corresponding increase in personnel related expenditure of \$8.2 million and an increase in laboratory costs of \$1.7 million offset, in part, by a decrease in other direct project related costs of \$9.7 million. As a percentage of net revenue, direct costs have decreased from 58.7% for the three months ended March 31, 2015 to 57.1% for the three months ended March 31, 2016.

Selling, general and administrative expenses for the period increased by \$1.2 million, or 1.6%, from \$79.6 million for the three months ended March 31, 2015 to \$80.8 million for the three months ended March 31, 2016. Selling, general and administrative expenses comprise primarily of compensation, related fringe benefits and share based compensation expense for non-project-related employees, recruitment expenditure, professional service costs, advertising costs and all costs related to facilities and information systems. The increase in selling, general and administration expenses for the period arose primarily from an increase in personnel related expenditure of \$1.9 million, a decrease in facilities and related costs expenditure of \$0.6 million, and a decrease in general and administrative expenses net of foreign exchange movements of \$0.1 million. As a percentage of net revenue, selling, general and administrative expenses, decreased from 20.5% for the three months ended March 31, 2015 to 20.2% for the three months ended March 31, 2016.

Depreciation expense for the period increased by \$0.3 million, or 2.6%, from \$9.9 million for three months ended March 31, 2015 to \$10.2 million for three months ended March 31, 2016 and principally arises from continued investment in facilities, information systems and equipment to support the Company's growth. As a percentage of net revenue, depreciation expense decreased from 2.6% of net revenues for the three months ended March 31, 2015 to 2.5% of net revenues for the three months ended March 31, 2016. Amortization expense for the period increased by \$0.9 million, or 23.4%, from \$4.0 million for the three months ended March 31, 2015 to \$5.0 million for the three months ended March 31, 2016. Amortization expense represents the amortization of intangible assets acquired on business combinations. The increase in the amortization expense for the period relates to the MediMedia and PMG acquisitions. As a percentage of net revenue, amortization expense increased from 1.0% of net revenues for the three months ended March 31, 2015 to 1.2% for the three months ended March 31, 2016.

As a result of the above, income from operations for the three months increased by \$9.3 million, or 14.0%, from \$66.7 million for the three months ended March 31, 2015 to \$76.0 million for the three months ended March 31, 2016. As a percentage of net revenue, income from operations increased from 17.2% of net revenues for the three months ended March 31, 2015 to 19.0% of net revenues for the three months ended March 31, 2016.

Income from operations in Ireland increased from a profit of \$47.6 million for the three months ended March 31, 2015 to a profit of \$59.6 million for the three months ended March 31, 2016. Income from operations in Ireland is impacted by the Group's global transfer pricing model (see note 7 Business Segmental Information for further details). Income from operations in our Rest of Europe region decreased from \$6.8 million for the three months ended March 31, 2015 to \$3.4 million for the three months ended March 31, 2016. Income from operations in the U.S. region increased from \$9.9 million for the three months ended March 31, 2015 to \$10.8 million for the three months ended March 31, 2016. Income from operations in the U.S. region for the three months ended March 31, 2016 was impacted positively by the acquisition of MediMedia, which was acquired on February 27, 2015 and PMG, which was acquired on December 4, 2015. Income from operations in the Rest of World region decreased from \$2.5 million for the three months ended March 31, 2015 to \$2.2 million for the three months ended March 31, 2016.

Interest income remained at \$0.3 million for the three months ended March 31, 2015 and the three months ended March 31, 2016. Interest expense for the period increased by \$2.9 million from \$0.3 million for the three months ended March 31, 2015 to \$3.2 million for the three months ended March 31, 2016. This increase is reflective of the drawdown of the Senior Notes issued in December 2015 and the bridge facility of \$350 million in place from September 2015, which are discussed in the Liquidity and Capital Resources section below.

Provision for income taxes for the period decreased from \$10.8 million for the three months ended March 31, 2015 to \$10.2 million for the three months ended March 31, 2016. The Company's effective tax rate for the three months ended March 31, 2016 was 13.9% compared with 16.2% for the three months ended March 31, 2015. The Company's effective tax rate is principally a function of the distribution of pre-tax profits amongst the territories in which it operates.

Liquidity and Capital Resources

The CRO industry is generally not capital intensive. The Group's principal operating cash needs are payment of salaries, office rents, travel expenditures and payments to investigators. Investing activities primarily reflect capital expenditures for facilities and information systems enhancements, the purchase and sale of short term investments and acquisitions.

Our clinical research and development contracts are generally fixed price with some variable components and range in duration from a few weeks to several years. Revenue from contracts is generally recognized as income on the basis of the relationship between time incurred and the total estimated contract duration or on a fee-for-service basis. The cash flow from contracts typically consists of a small down payment at the time the contract is entered into, with the balance paid in installments over the contract's duration, in some cases on the achievement of certain milestones. Accordingly, cash receipts do not correspond to costs incurred and revenue recognized on contracts.

The Company's cash and short term investment balances at March 31, 2016 amounted to \$247.9 million compared with cash and short term investment balances of \$189.9 million at December 31, 2015. The Company's cash and short term investment balances at March 31, 2016 comprised of cash and cash equivalents of \$161.4 million and short-term investments of \$86.5 million. The Company's cash and short term investment balances at December 31, 2015 comprised of cash and cash equivalents of \$103.9 million and short-term investments of \$86.0 million.

On December 15, 2015, ICON Investments Five Unlimited Company issued Senior Notes for aggregate gross proceeds of \$350.0 million in a private placement. The Senior Notes will mature on December 15, 2020. Interest payable is fixed at 3.64%, and is payable semi-annually on the Senior Notes on each June 15 and December 15, commencing June 15, 2016. The Senior Notes are guaranteed by ICON plc. In October 2015, the Company entered into an interest rate hedge in respect of the planned issuance of the Senior Notes in December 2015. The interest rate hedge matured in November 2015 when the interest rate on the Senior Notes was fixed. The interest rate hedge was effective in accordance with Financial Accounting Standards Board ("FASB") ASC 815 Derivatives and Hedging. The cash proceeds, representing the realized gain on the interest rate hedge were received on maturity in November 2015.

On July 27, 2015 the Company entered into a 364 day bridge facility for \$350.0 million with two financial institutions. The facility bore interest at LIBOR plus a margin and included certain guarantees and indemnities in favor of the two financial institutions. The bridge facility was repaid in full in December 2015.

On June 30, 2014 the Company entered into a five year committed multi-currency Revolving Credit Facility for \$100.0 million with Citibank, JP Morgan, Santander and Barclays Bank ("Revolving Credit Facility"). Each bank subject to the agreement has committed \$25 million to the facility, with equal terms and conditions in place with all institutions. In December 2015 the Revolving Credit Facility was amended to remove certain guarantees, the facility is guaranteed by ICON plc. The facility bears interest at LIBOR plus a margin, No amounts were drawn at March 31,

2016 or at December 31, 2015 in respect of the Revolving Credit Facility. Amounts available to the Group under the facility at both March 31, 2016 and December 31, 2015 were \$100.0 million.

Net cash provided by operating activities was \$59.4 million for the three months ended March 31, 2016 compared with cash provided by operating activities of \$61.1 million for the three months ended March 31, 2015. The most significant influence on our operating cash flows has been an increase to revenues and underlying profitability of the Company. This was offset by an increase in revenue outstanding which comprised of accounts receivable and unbilled revenue, less payments on account. The dollar value of these balances and the related number of days revenue outstanding (i.e. revenue outstanding as a percentage of revenue for the period, multiplied by the number of days in the period) can vary over a study or trial duration. Contract fees are generally payable in installments based on the achievement of certain performance targets or “milestones” (e.g. target patient enrollment rates, clinical testing sites initiated or case report forms completed), such milestones being specific to the terms of each individual contract, while revenues on contracts are recognized as contractual obligations are performed. Days revenue outstanding can vary therefore due to, amongst others, the scheduling of contractual milestones over a study or trial duration, the achievement of a particular milestone during the period or the timing of cash receipts from customers. A decrease in the number of days revenue outstanding during a period will result in cash inflows to the Company while an increase in days revenue outstanding will lead to cash outflows. The number of days revenue outstanding at March 31, 2016 was 47 days compared to 41 days at December 31, 2015. The number of days revenue outstanding at March 31, 2015 was 47 days compared to 40 days at December 31, 2014.

Net cash used in investing activities was \$7.6 million for the three months ended March 31, 2016 compared to net cash used in investing activities of \$112.8 million for the three months ended March 31, 2015. Net cash used in the three months ended March 31, 2016 principally relates to capital expenditure of \$7.7 million, which mainly comprised of expenditure on global infrastructure and information technology systems to support the Company’s growth. Net cash used in the three months ended March 31, 2015 arose principally from cash paid in respect of the purchase of MediMedia Pharma Solutions.

Net cash provided by financing activities during the three months ended March 31, 2016 amounted to \$5.3 million compared with net cash provided by financing activities of \$30.1 million for the three months ended March 31, 2015. During the three months ended March 31, 2016 \$4.2 million was recognized in relation to the tax benefit from the exercise of share options. In addition, \$1.1 million was received by the Company from the exercise of share options. This compares to \$2.0 million and \$8.2 million in respect of the cash tax benefit and share option proceeds respectively, in the three months ended March 31, 2015. During the three months ended March 31, 2015 \$20.0 million was drawn down by the Company under its negotiated banking facility.

As a result of these cash flows, cash and cash equivalents increased by \$57.4 million during the three months ended March 31, 2016 compared to a decrease of \$23.7 million for the three months ended March 31, 2015.

Inflation

We believe the effects of inflation generally do not have a material adverse impact on our operations or financial condition.

Legal Proceedings

We are not party to any litigation or other legal proceedings that we believe could reasonably be expected to have a material adverse effect on our business, results of operations and financial condition.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

ICON plc

/s/ Brendan Brennan

Date: May 4, 2016
Brendan Brennan
Chief Financial Officer